

Before The
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

RATE ADJUSTMENT DUE TO EXTRAORDINARY
OR EXCEPTIONAL CIRCUMSTANCES

Docket No. R2013-11

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO QUESTIONS 1-7 OF PRESIDING OFFICER'S
INFORMATION REQUEST NO. 14
(September 2, 2014)**

The United States Postal Service hereby provides its responses to Questions 1-7 of Presiding Officer's Information Request No. 14, dated August 25, 2014. Each question is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Eric P. Koetting
John F. Rosato
David H. Rubin

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 277-6333
September 2, 2014

**RESPONSE OF THE UNITED STATES POSTA SERVICE TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 14**

1. Please refer to Excel file "ExigSrchgRevFCM(3Q14).xls," tabs "Flats," "Ex.Rev.Surcharge Summary" and "DVD Mail." The Postal Service calculates revenues generated from First-Class Mail Flats in FY 2014, Quarter 3 in the three tabs.
 - a. Please confirm that the revenue calculations for Flats in tab "Flats" and in tab "Ex.Rev.Surcharge Summary" both include DVD Mail Flats but the volume calculations omit DVD Mail Flats.
 - b. Please confirm that the revenue calculation for Flats in tab "Ex.Rev.Surcharge Summary" is calculated as the sum of total revenue for Flats in tab "Flats" and revenue for DVD Mail Flats in tab "DVD Mail" and therefore the revenue calculations for Flats in tab "Ex.Rev.Surcharge Summary" include DVD Mail Flats revenue twice.
 - c. If part (b) is confirmed, please provide revised First-Class Mail workpapers for quarter three and, if necessary, for quarter two. If not confirmed, please explain.

RESPONSE:

- a. Confirmed.
- b. Confirmed.
- c. Please see POIR.14.FCM.QTR3.xls (attached to this response electronically) for the corrections. The revenue subtraction from DVD mail has been removed from the tab "Flats", cells F27 and I27. Changes in tab "Ex. Rev. Surcharge Summary", DVD volumes are added in cell B6. Also, inconsequential DVD revenue that was added to Row 5, columns C and D is removed. All of the changed cells are highlighted in yellow. Also, please see POIR.14.FCM.QTR2 (also attached), where similar changes are made and highlighted. In addition cells C6 and D6 are corrected and highlighted in tab "Ex. Rev. Surcharge Summary".

**RESPONSE OF THE UNITED STATES POSTA SERVICE TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 14**

2. Please refer to Excel file "ExigSrchgRevFCM(3Q14).xls," tabs "Auto Letters" and "DVD Mail" and the third quarter FY 2014 Market Dominant Billing Determinants, filed August 19, 2014, Excel file "3Q14 FCMBDs.xls" tab "A-4 Automation Letters" and "A-9 Automation Flats." Please reconcile the Auto Letters and DVD Mail revenues listed in the third quarter billing determinants with the revenues listed in the First-Class Mail exigent surcharge revenue workpapers.

RESPONSE:

Our understanding is that the question is asking the Postal Service to reconcile Excel file "ExigSrchgRevFCM(3Q14).xls," tab "Presort," cell I16, with the third quarter FY 2014 Market Dominant Billing Determinants, Excel file "3Q14 FCMBDs.xls" tab "A-4 Automation Letters," cell G47. Excel file "ExigSrchgRevFCM(3Q14).xls," tab "Presort," is the revenue for First-Class Mail Automation Letters for Quarter 3, FY2014 using current prices. This number (\$3,525,293) does not include the revenue for Picture Permit, which instead is provided in Row 39 of the same tab.

The third quarter FY 2014 Market Dominant Billing Determinants, Excel file "3Q14 FCMBDs.xls" tab "A-4 Automation Letters," cell G47 is also the revenue for First-Class Automation Letters for the same time period using current prices, but includes the revenue for Picture Permit. This number is \$3,525,313. The difference is the revenue for Picture Permits in Quarter 3 of FY2014.

**RESPONSE OF THE UNITED STATES POSTA SERVICE TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 14**

Special Services

3. Please refer to Excel file "ExigSrchgRevSPEC-SERV(3Q14).xlsx," worksheet titled "P.O. Boxes," header "Proposed Fees 6 month," cells N22 through T28. Please confirm that the Proposed Fees 6 month prices in those cells should be the same as those filed in Docket No. R2013-11, Library Reference USPS-R2010-4R/6, filed November 13, 2013, filename "CAPCALC-SpecServ-R2010-4R.Rev.11-13-13.xls," worksheet titled "P.O. Boxes," cells N22 through T28. If confirmed, please provide an updated Excel file "ExigSrchgRevSPEC-SERV(3Q14).xlsx." If not confirmed, please explain.

RESPONSE:

Confirmed. Please see POIR.14.SpecServ.xlsx (attached to this response electronically), in which the referenced fees have been corrected and highlighted. Note, however, that only half of the 6-month fees amount is used to calculate the revenue amount for the 3-month reporting period.

**RESPONSE OF THE UNITED STATES POSTA SERVICE TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 14**

4. Please refer to Excel file ExigSrchgRevSPEC-SERV(3Q14).xlsx", worksheet "F-4 PO Boxes," cells C8 through I14 and the third quarter FY 2014 billing determinants, filed August 19, 2014, filename "3Q14 Mail for the Blind and Special Services.xlsx" worksheet "F-4 PO Boxes" cells B8 through H15.
 - a. Please reconcile the P.O. Box volumes listed in the August 15, 2014 filing and the third quarter billing determinants.
 - b. Please provide an updated Excel file "ExigSrchgRevSPEC-SERV(3Q14).xlsx" that uses the correct P.O. Box volumes.

RESPONSE:

- a. The volumes presented in ExigSrchgRevSPEC-SERV(3Q14).xlsx show that portion of the volume that paid the exigent surcharge. While the PO Boxes are paid for in advance, the revenue for the box is only recorded (accrued) during the month the PO Box is used, following generally accepted accounting principles. Accordingly, the volume of PO Boxes that actually paid the exigent surcharge will not match total billing determinant volume until six months after the exigent surcharge was implemented. For quarter 3 of FY 2014, only those PO Boxes paying on or after January 26th 2014 would be paying the exigent surcharge. This represents about two-thirds of the PO Box volume in the 3rd quarter. In the 4th quarter all boxes will be assumed to be paying a price that includes the exigent surcharge (since almost all of these customers will have paid after January 26, 2014). Going the other direction, as we get closer to the roll back date, the Postal Service will derive an estimate of the surcharge

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 14**

revenue that will be received during the surcharge period, but would otherwise be accrued after the exigent rollback. It is necessary to do these two adjustments separately (i.e., they will not naturally offset one another) because over 1,600 more PO Box locations are moving from Market Dominant to Competitive fees. In those locations, there were lagged effects of imposition of the surcharge after January 2014, but there will be no lagged effects on accruals after the surcharge period, because customers in those locations will be paying Competitive fees which do not include any exigent surcharge. In total, because of the shift at these locations from Market Dominant to Competitive, lagged effects after surcharge removal will be expected to be substantially less than lagged effects after surcharge implementation. By taking account of both sets of lagged effects, the Postal Service will be able to calculate the appropriate surcharge revenue from Post Office Box service when evaluating total surcharge revenue against the \$3.2 billion limit.

b. The correct PO box volumes for use in calculating Exigent surcharge revenues are reported in ExigSrchgRevSPEC-SERV(3Q14).xlsx. These volumes are lower than the billing determinants volumes, as explained in the response to 4(a).

**RESPONSE OF THE UNITED STATES POSTA SERVICE TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 14**

5. Please refer to Excel file "ExigSrchgRevSPEC-SERV(3Q14).xlsx", worksheet "F-4 PO Boxes," cells N160 through N161 and the third quarter FY 2014 billing determinants, filed August 19, 2014, filename "3Q14 Mail for the Blind and Special Services.xlsx," worksheet "F15 PO Box Key and Lock" cells C8 through C10.
 - a. Please reconcile the duplicate key and lock replacement volumes listed in the August 15, 2014 filing and the third quarter billing determinants.
 - b. Please provide an updated Excel file "ExigSrchgRevSPEC-SERV(3Q14).xlsx" that uses the correct duplicate key and lock replacement volumes.

RESPONSE:

- a. The volumes reported in the Billing Determinants are correct.
- b. See POIR.14.SpecServ.xlsx, which is filed with this response, and in which the referenced volumes have been corrected and highlighted.

**RESPONSE OF THE UNITED STATES POSTA SERVICE TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 14**

6. Please refer to Excel file "ExigSrchgRevSPEC-SERV(3Q14).xlsx", worksheet "Ex Rev Surcharge Summary," cell E66 and the third quarter FY 2014 billing determinants, filed August 19, 2014 filename "3Q14_MKT_DOMINANT_INTL_BD.xls," cell I33.
 - a. Please reconcile the third quarter revenues listed in the August 15, 2014 filing and the International Fees & Ancillary Services for Market Dominant Products billing determinants.
 - b. Please provide an updated Excel file "ExigSrchgRevSPEC-SERV(3Q14).xlsx" as appropriate.

RESPONSE:

- a. The preliminary Market Dominant International Billing Determinants contained inaccurate revenue data.
- b. The values reported in ExigSrchgRevSPEC-SERV(3Q14).xlsx are correct.

**RESPONSE OF THE UNITED STATES POSTA SERVICE TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 14**

7. If necessary, please provide revised "ExigSrchgRevREPORT(3Q14).xlsx" and "ExigSrchgRevCUMULATIVE(2Q+3Q14).xlsx" files that incorporate the updated First-Class Mail and Special Services exigent surcharge revenue amounts.

RESPONSE:

Please see POIR.14.Q3.Report.xlsx and POIR.14.Q3.Cumulative.xlsx,
which are filed with this response.